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TALKING POINTS ON IRAN-IRAQ WAR FOR DDI TRIP TO FAR EAST

I. IRAN IS PREPARING ANOTHER ATTACK ON THE DOVEYRICH RIVER FRONT. IRANIAN FORCES COULD ATTACK AT ANY TIME, BUT PROBABLY CANNOT ACHIEVE A BREAKTHROUGH. (See Map)

-- IN THE FIRST OFFENSIVE, ON 6-9 FEBRUARY, IRAN LOST AS MANY AS 15,000 MEN WITHOUT GAINING GROUND.



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-- IRAN HAS ABOUT 130,000 TROOPS, 500 ARMORED VEHICLES, AND 140 ARTILLERY PIECES ON THE DOVEYRICH FRONT; IRAQ HAS A SIMILAR NUMBER OF TROOPS, 1000 ARMORED VEHICLES, AND 380 ARTILLERY PIECES.

-- IRAN PROBABLY CAN SEIZE SOME LIMITED IRAQI TERRITORY ALONG THE BORDER, BUT IRANIAN CASUALTIES WILL BE MASSIVE.

II. IRANIAN LEADERS PROBABLY WILL HAVE TO RECONSIDER THEIR STRATEGY IF THE NEXT ATTACK FAILS.

-- DECLINING MORALE IS AFFECTING COMBAT EFFECTIVENESS.

-- TEHRAN APPEARS CONCERNED ABOUT WAR-WEARINESS AMONG THE LOWER CLASSES, ITS CORE SUPPORTERS.

-- IF OIL PRICES FALL SHARPLY, TEHRAN WILL NOT BE ABLE TO SUSTAIN THE WAR AT ITS PRESENT LEVELS AND MAINTAIN THE DOMESTIC PROGRAMS THAT STRENGTHEN ITS POPULAR SUPPORT.

III. TEHRAN IS MOST LIKELY TO TURN TO A BORDER WAR OF ATTRITION.

-- IRAN COULD ALSO RAID IRAQI ECONOMIC SITES AND INCREASE AID TO IRAQI DISSIDENTS.

-- TEHRAN HOPES IRAQ'S ECONOMIC WOES WILL FEED POLITICAL DISCONTENT. BAGHDAD'S RESERVES HAVE FALLEN TO ABOUT \$5 BILLION AND ITS ECONOMIC DEVELOPMENT PROGRAM HAS BEEN CUT BACK.

-- IRAQ PROBABLY WILL HAVE TO CUT IMPORTS FURTHER. THE GULF STATES ARE RELUCTANT TO MATCH THE \$5.5 BILLION IN AID THEY GAVE LAST YEAR AS OIL PRICES DROP.

IV. PEACE TALKS ARE UNATTRACTIVE TO IRAN BECAUSE THEY COULD SPARK BITTER INFIGHTING AND BECAUSE FALLING OIL PRICES LIMIT TEHRAN'S CHANCES FOR WINNING LARGE REPARATIONS.

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Back-up on Iran-Iraq War for DDI Trip to the Far East

Military Situation: The first phase of Iran's offensive on the Doveyrich River failed completely. Tehran hoped to follow a breakthrough in the southern sector of the front by Revolutionary Guards with larger attacks involving both regular and irregular forces in the central and northern sectors. All units were eventually to join in a drive on al Amarah. Iran assembled approximately 130,000 troops and 500 armored vehicles, and spent nearly three months preparing for the attack. [redacted]

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Iran did not break through and Tehran lost as many as 15,000 dead, nearly 1,200 captured, and at least 50 armored vehicles. Iraq lost about 3,000 troops and a few armored vehicles. [redacted]

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[redacted] Improved Iraqi performance and shortcomings in Iranian equipment were largely responsible for Iran's defeat. The Iraqis built formidable physical defenses and amassed a two-to-one advantage in armor and nearly a three-to-one advantage in artillery. The combat performance of Iraqi units and commanders has improved significantly and Iraqi fighter-bombers and helicopters have been more effective.

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[redacted] Coordination between Army and Revolutionary Guard units was poor and materiel shortages severely limited artillery, armor, and air support. [redacted]

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Nevertheless, Iran is preparing for additional, probably larger, attacks on the Doveyrich front. The bulk of Iran's forces were not committed during the first phase and could attack at any time. Several weeks could elapse, however, if Tehran decides additional forces or major changes in its battle plan are required. Iran is concentrating more forces and some bridging equipment along the southern sector of the front, suggesting its next attack may involve crossing the Doveyrich River where it is held by the Iraqis or, less likely, crossing marshes south of Iraqi lines. [redacted]

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Iran has little chance of making major territorial gains because it cannot quickly redress the basic tactical, numerical, and qualitative disadvantages that caused its first attacks to fail. Iran probably can recapture the 100 square kilometers of territory occupied by Iraq at the southern end of the war front and take limited Iraqi territory along the border, but only with massive personnel losses. [redacted]

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Tehran's Options: A second failure is likely to convince Iran's leaders that massive assaults using ill-equipped, poorly-trained

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infantry cannot achieve their aims.

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Iranian spokesmen publicly said the Doveyrich attack was part of a "final offensive," a claim they have now moderated. The term suggests sensitivity to the effect of massive losses and repeated defeats on the regime's core supporters--the lower classes--who provide the bulk of the infantry.

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Declining morale already has affected Iranian combat effectiveness. Khomeini publicly complained after the latest attacks about low morale. Five military commanders were executed for retreating during the fighting in February--apparently the first time Iran has taken such action since the early days of the war.

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If Iranian leaders conclude their ability to achieve a decisive victory using "human wave" attacks has peaked, they could lower the scale of the fighting, hoping subversion and growing economic problems will bring down Saddam or--less likely--open negotiations for a peace agreement, hoping to extract large reparations.

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Attrition and Subversion: We believe Iran will most likely opt to lower the level of fighting to a border war of attrition while increasing its subversive activities against Baghdad. Such a strategy would maintain the pressure on Iraq while reducing the risk of a domestic backlash over casualties. Iran could pursue this strategy by shelling and infantry probes along the border. It also could launch commando or air raids against Iraqi oil or other economic facilities.

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The Iranians, who have lower economic expectations than the Iraqis, are better prepared to withstand the economic problems resulting from a war of attrition. Indeed, by discounting the price of its oil, Iran has boosted its exports to around 2.5 million barrels per day--up from only 500,000 barrels a year ago. As a result, Iran ended the year with a current account surplus of around \$4.5 billion, and continues to add to that at the rate of about \$1 billion every 2.5 months. Iranian foreign reserves have climbed from less than \$4 billion at the end of 1981 to a current \$7 billion.

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Iraq's oil exports are only a fifth of its prewar level and its foreign reserves have plummeted from \$21 billion at the beginning of 1982 to about \$5 billion--the equivalent of less than three month's worth of imports. The resulting cash squeeze has forced Baghdad to seek deferred payments on military contracts and on a wide variety of economic projects already underway. Other projects have been postponed and contracts cancelled. The Persian Gulf states, with economic difficulties

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of their own, will be increasingly reluctant to match the \$5.5 billion they gave Iraq last year--requiring further cutbacks in Iraqi imports. [redacted]

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Iran almost certainly realizes that economic problems alone will not bring down Saddam. Rather, Tehran hopes economic difficulties will feed political dissent. A war of attrition thus would be accompanied by a propaganda campaign directed at Iraqi Shias--the majority of Iraq's population--and by attempts to infiltrate Iraqi expatriates to generate unrest. [redacted]

[redacted] nearly 80,000 Iraqis have been expelled from Iraq to Iran since the Khomeini revolution. Iran also publicly claims to have 45,000 Iraqi POWs. Tehran could also increase its support of Iraqi Shia and Kurdish dissidents involved in subversion against Baghdad, including assassination attempts against Saddam and other top Iraqi officials. Tehran could use Kurdish guerrillas to blow up the Iraqi oil pipeline through Turkey, Iraq's sole remaining route for oil exports. [redacted]

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A war of attrition is not without its liabilities for Iran, however. Although it reduces the human costs, it prolongs the war. Having promised final victory soon, the regime would face what will come to be seen as an open-ended war by its people. Moreover, the oil market is entering a period of uncertainty. If oil prices fall steeply, Iran's only major source of hard currency earnings would plummet and strain Tehran's ability to both sustain the war and meet other economic needs to maintain its popular support. [redacted]

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Peace Negotiations: Negotiations with Baghdad are probably the least attractive option in Tehran. Starting negotiations with a regime Tehran has sworn to bring down, moreover, would be seen in Iran and within the region as an admission of failure. The regime probably also wishes to avoid the bitter political infighting likely to ensue over the terms of any peace settlement. [redacted]

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If oil prices decline, however, economic problems and attending political strains could push Tehran toward negotiations in hopes of receiving large-scale reparations. Iran is demanding up to \$150 billion. Baghdad, which rejects any attempt to be labeled the aggressor, has refused to consider payment of formal reparations. Tehran probably would have to accept a formula that creates a fund for redevelopment available to both countries. Iraq's Arab neighbors in the Gulf, the most likely candidates to provide funds, have already informally discussed this proposal. The amount Iran could receive would depend on developments in the world oil market. [redacted]

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SUBJECT: TALKING POINTS: IRAN-IRAQ WAR FOR DDI TRIP TO FAR EAST

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